

Message Text

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ORIGIN OES-09

INFO OCT-01 EUR-12 ISO-00 EB-08 SS-15 ACDA-12 DOE-15
SAS-02 CIAE-00 INR-10 IO-13 L-03 NSAE-00 NSC-05
NRC-05 SOE-02 DODE-00 SP-02 CEQ-01 PM-05 XMB-02
/122 R

DRAFTED BY OES/NET/EST:MPROCHNIK
APPROVED BY EB/ORF/FSE:GARSEN
EB/ORF/FSE:RHECKLINGER(SUBS)
EUR/RPE:KSTOCKER(SUBS)
T/D:DWELCH(SUBS)
ACDA:HMARSHALL(SUBS)
OES/NET/EST:JBORIGHT(SUBS)
DOE:EMILLENKY/BENGELSDORF/SLAUSON
DOE:PBORRE
(SUBS)

-----122358 071718Z /46

P 071611Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY ROME PRIORITY

C O N F I D E N T I A L STATE 198564

E.O. 11652: GDS

TAGS: TECH, ENRG, IT

SUBJECT: ITALIAN INTEREST IN URANIUM SUPPLY AND REPROCESS-
ING COOPERATION

REF: ROME 11451, ROME 13934

1. FOLLOWING ARE COMMENTS WHICH MAY BE USEFUL TO EMBASSY
IN DISCUSSING POINTS IN MINUTE REPORTED REFTEL WITH
ITALIANS. WHILE THE MINUTE IS REFLECTIVE OF THE AMMISSARY/
O'LEARY DISCUSSIONS WE BELIEVE THE QUALIFYING COMMENTS
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BELOW WILL ASSIST THE EMBASSY IN AVOIDING MISUNDERSTANDINGS
WITH THE ITALIANS ABOUT WHAT CAN BE EXPECTED IN THESE
PROGRAM AREAS. ON AN APPROPRIATE OCCASION EMBASSY SHOULD
DRAW ON CONTENTS OF THIS CABLE TO CLARIFY THESE ISSUES WITH
THE ITALIANS. TEXT OF MINUTE IS APPROVED.

2. WITH RESPECT TO ITALIAN CONCERNS ABOUT THE SUPPLY OF

NATURAL URANIUM, DOE KNOWS OF NO PURCHASER EXPERIENCING DIFFICULTIES IN OBTAINING FEEDSTOCK THROUGH NORMAL COMMERCIAL CHANNELS. INCREASING INVESTMENT IN EXPLORATION AND PRODUCTION FACILITIES MAKES IT SEEM QUITE LIKELY THAT THIS SITUATION WILL CONTINUE. IN CONNECTION WITH SUPPLY OF ENRICHMENT SERVICES, DOE ORDER BOOKS FOR NEW LONG TERM ADJUSTABLE FIXED COMMITMENT CONTRACTS HAVE RECENTLY BEEN

OPENED. THESE CONTRACTS OFFER FAR MORE LIBERAL TERMS TO FOREIGN AND DOMESTIC CUSTOMERS THAN HAVE BEEN OFFERED IN THE PAST. OTHER POSSIBILITIES FOR SUPPLY INCLUDE A SHORT TERM FIXED COMMITMENT CONTRACT, OR PURCHASE BY ITALY OF SWU'S HELD BY ANOTHER DOE CUSTOMER UNDER A LONG TERM CONTRACT. IN THIS LAST CASE, DOE WOULD HAVE TO APPROVE TRANSFERS OF SWU'S FROM A NON-ITALIAN CUSTOMER TO ITALY. IT WOULD BE HELPFUL IN ALL CASES TO INFORM DOE OF THE QUANTITY OF ENRICHED URANIUM OF INTEREST TO THE GOI BEFORE DETAILED DISCUSSIONS TAKE PLACE.

3. IN REGARD TO ITALIAN INTEREST IN ARRANGEMENTS FOR EMERGENCY SUPPLIES FOR ENRICHED URANIUM, WORKING GROUP 3 OF INFCE IS NOW EXPLORING VARIOUS METHODS THAT WOULD PROVIDE ASSURANCES OF ADEQUATE SUPPLIES OF BOTH NATURAL AND ENRICHED URANIUM. WE WELCOME ITALIAN PARTICIPATION IN THESE EFFORTS.

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4. AS EMBASSY APPRECIATES, WE HAVE HAD A TEMPORARY HIATUS IN FUEL SHIPMENTS TO EURATOM BUT THIS PROBLEM HAS BEEN RESOLVED BY THE COMMUNITY'S DECISION TO OPEN NEGOTIATIONS CONCERNING OUR AGREEMENT FOR COOPERATION. EMBASSY MAY WISH TO STRESS TO GOI THAT WE ARE PLEASED THAT THIS ISSUE HAS BEEN SATISFACTORILY RESOLVED. MOREOVER, WITHIN THE CONTEXT OF THE ON-GOING NEGOTIATIONS WE WILL BE INTERESTED IN EXPLORING WITH THE COMMUNITY HOW THE US CAN HELP ASSURE THAT THE COMMUNITY'S ENRICHMENT NEEDS ARE MET. ALSO IN OUR CONTINUING DISCUSSIONS WITH THE GOI, BOTH BILATERALLY AND IN THE CONTEXT OF INFCE, WE WILL BE HAPPY TO DISCUSS HOW THE EXISTING INTERNATIONAL REGIME FOR FUEL ASSURANCES CAN BE IMPROVED.

5. CONCERNING AN EXCHANGE OF REPROCESSING TECHNOLOGY, WE AGREE WITH THE EMBASSY THAT WE SHOULD MOVE CAUTIOUSLY WITH THE GOI IN THIS AREA. AS EMBASSY AWARE, THE UNITED STATES IS ENGAGED IN EXTENSIVE DISCUSSIONS ON IMPROVEMENT OF THE PROLIFERATION RESISTANCE OF REPROCESSING TECHNOLOGIES AND ROLE OF REPROCESSING IN THE CONTEXT OF INFCE WORKING GROUP 4. IN OUR VIEW US AND ITALIAN EXCHANGES RELATED TO REPROCESSING CAN BE BEST HANDLED THROUGH THE

INFCE FORUM FOR THE TIME BEING. ALSO CONSISTENT WITH OUR NON-PROLIFERATION GOALS WE ARE AVOIDING EXCHANGES OR DISCLOSURE OF DATA THAT COULD ENHANCE THE SPREAD OF CONVENTIONAL NATIONAL REPROCESSING CAPABILITIES. HOWEVER, SHOULD THE ITALIANS ON A BILATERAL BASIS ALSO WISH TO EXCHANGE VIEWS WITH US ON HOW THEY VIEW REPROCESSING IN THE DEVELOPMENT OF NUCLEAR POWER WE SHALL BE HAPPY TO DO SO ON THE NEXT APPROPRIATE OCCASION AND WITH THE UNDERSTANDING AS MR. O'LEARY INDICATED, THAT WE CANNOT HOLD

OUT ANY CONCRETE PROSPECTS OF EXCHANGES IN TECHNOLOGY. EMBASSY SHOULD RELAY THIS VIEW TO THE GOI.

6. CONCERNING PARA 7, REFTEL, EXIM HAS NOT AGREED TO
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LEAD A CONSORTIUM BUT HAS OFFERED TO USE ITS GOOD OFFICES TO SUPPORT ITALIAN APPROACHES TO PRIVATE FINANCIAL INSTITUTIONS. AS EMBASSY AWARE, EXIMBANK IS PREPARED TO EXAMINE ITALIAN REQUESTS FOR FINANCING OF NUCLEAR REACTORS AND HAS BEEN WAITING FOR OVER A YEAR FOR THE RELEVANT PROJECT INFORMATION FROM THE ITALIANS. THE BANK'S ROLE WILL BE LIMITED TO A MIX OF ITS TRADITIONAL LENDING AND GUARANTEEING ACTIVITIES AND NOT AS A LEAD BANK IN A CONSORTIUM OF LENDERS. IT IS CLEAR, HOWEVER, THAT EXIM BANK INVOLVEMENT IN A PROJECT WILL BE FAVORABLY VIEWED BY OTHER POTENTIAL LENDERS TO THAT SAME PROJECT.

7. GUIDANCE RE BREEDER COOPERATION WILL FOLLOW (PARA 4 REFTEL). CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: URANIUM
Control Number: n/a
Copy: SINGLE
Draft Date: 07 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE198564
Document Source: CORE
Document Unique ID: 00
Drafter: MPROCHNIK
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780322-1211
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780891/aaaacyki.tel
Line Count: 150
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a0629a67-c288-dd11-92da-001cc4696bcc
Office: ORIGIN OES
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 ROME 11451, 78 ROME 13934
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1818171
Secure: OPEN
Status: NATIVE
Subject: ITALIAN INTEREST IN URANIUM SUPPLY AND REPROCESS- ING COOPERATION
TAGS: TECH, ENRG, IT
To: ROME
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a0629a67-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014